

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

S. BLAKE MURCHISON, and WILLIS)	
SHAW,)	
)	
Plaintiffs,)	C.A. No 1:09-cv-00020-SLR
)	
vs.)	
)	
HARRAH'S ENTERTAINMENT, INC.,)	
HARRAH'S OPERATING COMPANY, INC.,)	
CHARLES L. ATWOOD, JEFFREY)	
BENJAMIN, DAVID BONDERMAN,)	
ANTHONY CIVALE, JONATHAN COSLET,)	
KELVIN DAVIS, JEANNE P. JACKSON,)	
GARY W. LOVEMAN, KARL PETERSON,)	
ERIC PRESS, MARC ROWAN, LYNN C.)	
SWANN, and CHRISTOPHER J. WILLIAMS,)	
)	
Defendants.)	
)	

**DECLARATION OF M. TRAVIS KEATH, CFA, CPA/ABV OF VALUE
INCORPORATED IN SUPPORT OF PLAINTIFFS' MOTION FOR ATTORNEYS'
FEES AND REIMBURSEMENT OF EXPENSES AND LIMITED DISCOVERY**

I, M. Travis Keath, CFA, CPA/ABV of VALUE Incorporated, hereby declare that:

1. I am over the age of 18, of sound mind and fully competent to testify about the matters contained in this Declaration. I hold the Chartered Financial Analyst designation, am a Certified Public Accountant licensed in the state of Texas and hold the Accredited in Business Valuation designation conferred by the American Institute of Certified Public Accountants. I am a financial analyst by profession, specializing in matters pertaining to business and securities valuation and capital markets. A copy of my resumé, which outlines my professional experience and expertise, appears in Attachment A to this Declaration. I have been qualified or accepted as an expert on the operations of the securities markets, damages, investment banking practices, financial

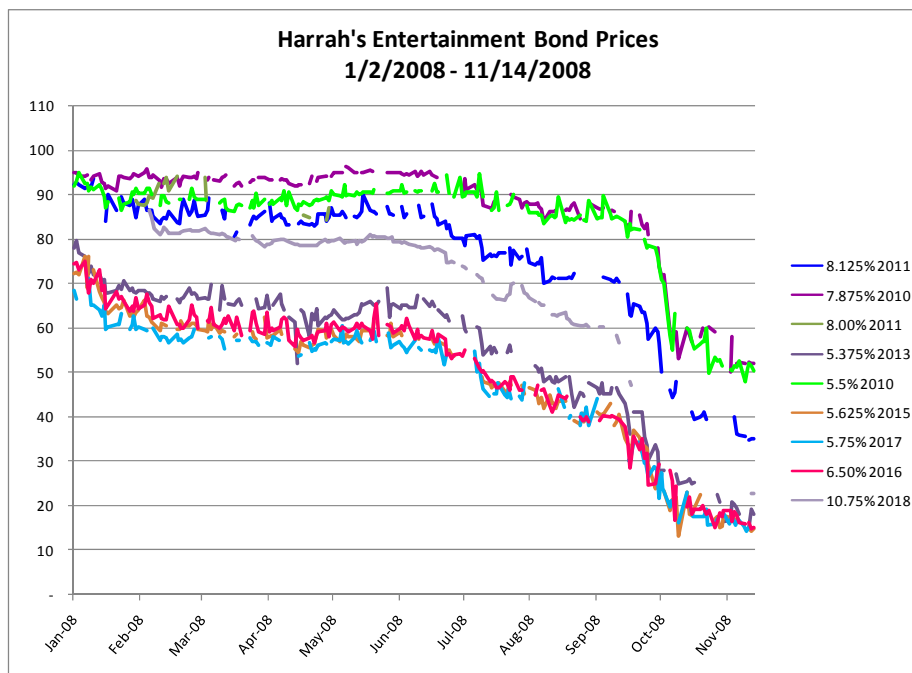
valuation and related corporate finance matters in numerous federal and state courts nationwide since 1996. I have provided many depositions and submitted numerous declarations and affidavits on matters in these subject areas as well. My opinions have never been excluded from any case on the basis of a challenge to my qualifications as an expert.

2. I have been retained by plaintiffs' counsel to render independent financial advice and assistance in connection with the Action, and to provide expert testimony, as needed, relevant to valuation issues pertinent in the litigation.

3. From the end of the second quarter of 2008 through November 14 of that year, amidst a period of tremendous stress in the capital markets, publicly traded debt instruments¹ (collectively, "Harrah's Notes") issued by Harrah's Entertainment, Inc. ("HEI") and Harrah's Operating Company, Inc. ("HOC") (collectively "Harrah's") suffered material declines in trading prices, as shown in Figure 1.

¹ The publicly traded debt instruments that VALUE Incorporated analyzed refer to certain issues referenced in the First Exchange Offer. From the time period referenced above, 9 of the 10 instruments had observable publicly traded prices. The 10.75% Senior Notes due 2016 did not have pricing information according to Bloomberg LP through November 14, 2008.

Figure 1



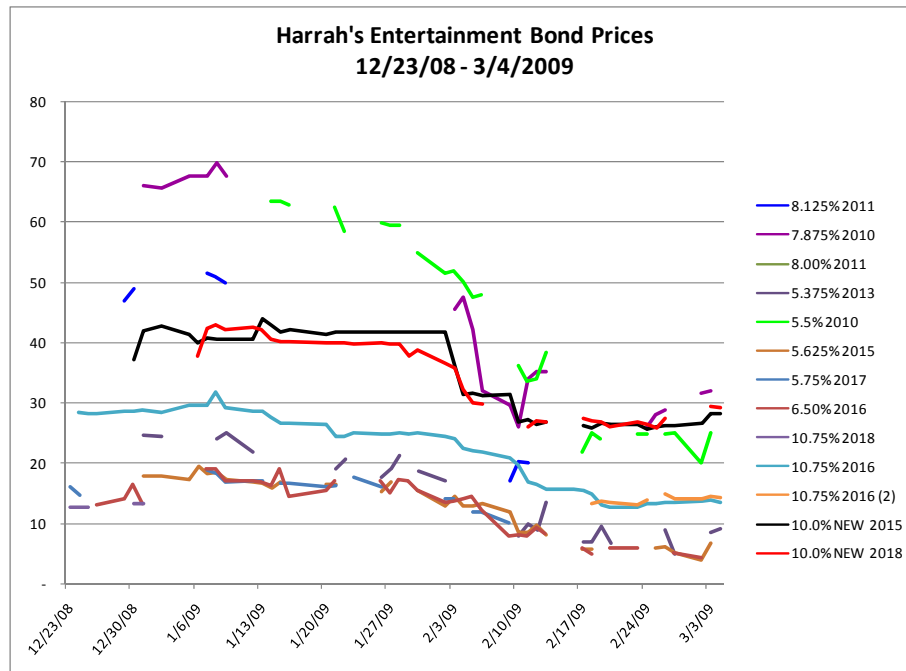
4. In an effort to reduce the principal amount and extend the average maturity of its debt, Harrah's announced a major debt exchange offer (the "First Exchange Offer") on November 14, 2008. I understand that the First Exchange Offer was limited to "qualified institutional buyers and to certain non-U.S. investors located outside the United States" ("QIBs"), and that certain accredited investors and retail holders were not allowed to participate.

5. I understand that in response to the allegedly discriminatory elements of the First Exchange Offer, Plaintiffs filed a class action lawsuit on January 9, 2009 on behalf of all bondholders ineligible to participate in the First Exchange Offer, alleging that the First Exchange Offer unfairly discriminated against them.

6. On December 22, 2009, Harrah's announced the completion and results of the First Exchange Offer, which resulted in \$2.2 billion in tendered principal (of \$10.8 billion outstanding) being accepted for exchange by Harrah's.

7. Between December 22, 2008 and March 4, 2009, Harrah's Notes traded generally flat, with perhaps a modest downward bias, as shown in Figure 2² below:

Figure 2



8. I understand that on March 4, 2009, Plaintiffs filed an amended complaint (the “Amended Complaint”) to include claims on behalf of QIBs that held bonds that were exchanged in the First Exchange Offer.

9. I understand that on March 4, 2009, after the Amended Complaint was filed, Harrah's announced a second major debt exchange offer (the “Second Exchange Offer”). Like the First Exchange Offer, the Second Exchange Offer was intended to further reduce the principal amount and

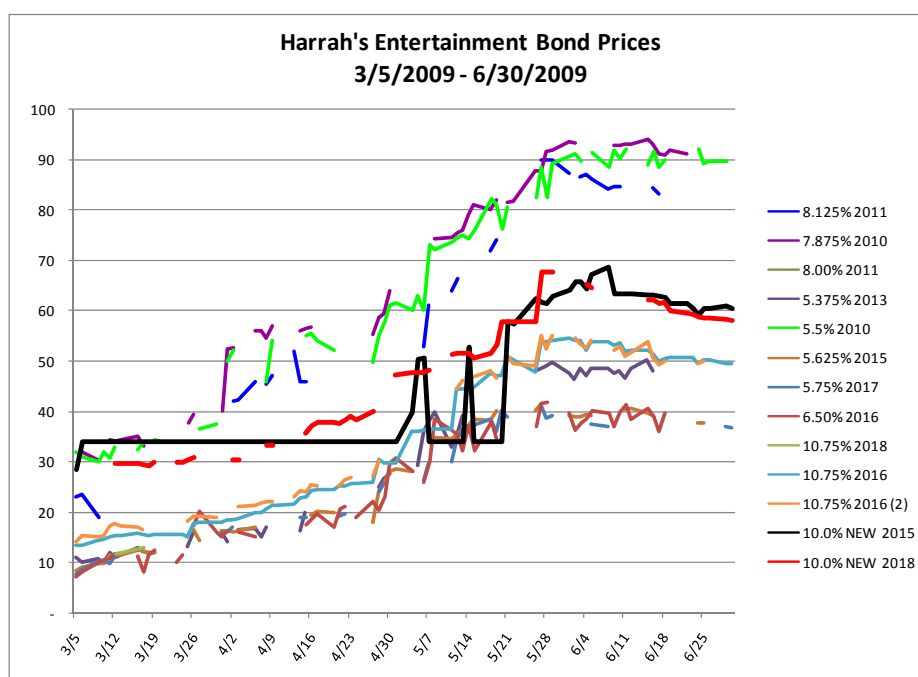
² Figure 2 includes the Harrah's Notes identified in Figure 1. Subsequent to the First Exchange Offer, the 10.75% Senior Notes due 2016 traded under Cusips U24658AJ2 and 413627BE9. Figure 2 also includes pricing graphs for the New 10.0% 2015 and 2018 2nd Lien Notes created to facilitate the First Exchange Offer.

extend the average maturity of Harrah's debt. A noteworthy difference between the First Exchange Offer and the Second Exchange Offer was that the latter included non-QIB investors.

10. The market welcomed news of the Second Exchange Offer, as evidenced by an immediate and material increase in the market values of most of the Harrah's Notes following the announcement of the Second Exchange Offer.

11. Trading prices for Harrah's Notes began to rise following the announcement of the Second Exchange Offer, and continued to rise even after the Second Exchange Offer was completed on April 9, 2009, as shown in Figure 3 below.

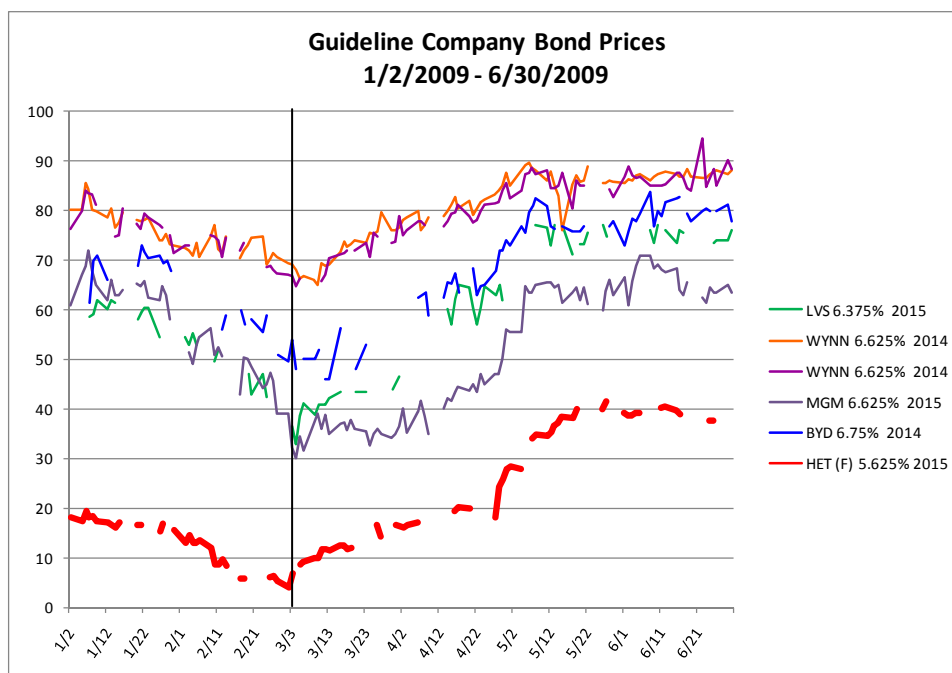
Figure 3



12. Another perspective from which to view the beneficial nature of the Second Exchange Offer is to compare reported prices of Harrah's Notes to those of its peer group (including Boyd Gaming, Las Vegas Sands, MGM Mirage and Wynn Resorts). Figure 4 shows an example of

market prices for Harrah's 5.625% notes due 2015 to peer securities of similar maturity. The vertical black line indicates the date on which the Second Exchange Offer was announced.³

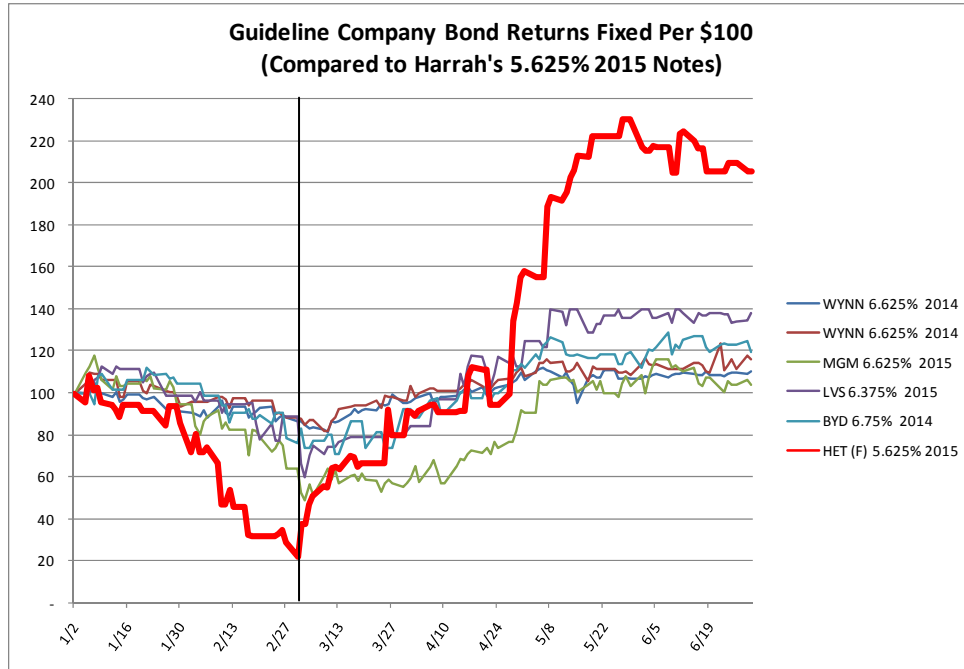
Figure 4



13. Although the peer notes tended to move in a similar direction to Harrah's Notes, the magnitude of the change was much more pronounced for Harrah's than for its peers. Figure 5 places the price movements on a relative scale indexed to 100, and shows that: (a) the decline in Harrah's Notes was sharper than for its peers before the Second Exchange Offer was announced, and (b) the recovery in Harrah's Notes was much more rapid and sustained following the announcement.

³ Although only the 5.625% 2015 notes are shown in Figure 4, we observed similar patterns for Harrah's other notes.

Figure 5



14. I attempted to quantify the increase in value of the Harrah's Notes resulting from the Second Exchange Offer by examining the change in value of (a) the old securities based on prices as of March 4, 2009 (the trading session immediately preceding the Second Exchange Offer) compared to (b) the new securities ultimately received by investors based on prices as of March 5, 2009 (the trading session immediately following the Second Exchange Offer).

15. Schedule A.1 shows the results of the Second Exchange Offer in terms of the principal amount of original notes tendered and accepted as well as the principal amount of new notes issued as consideration for the tendered notes. It should be noted that this analysis was prepared without access to the final Offering Memorandum and Consent Solicitation Statement

governing the Second Exchange Offer, as well as subsequently issued supplements, which are non-public documents.⁴

16. Schedules B.1, B.2 and B.3 display the detailed calculations of the aggregate one-day difference in fair market value of the notes tendered to Harrah's by the plaintiff class and the notes ultimately received from Harrah's by the plaintiff class as consideration following the announcement of the Second Exchange Offer prior to the opening of the markets on March 5, 2009. The detailed pricing on an issue-by-issue basis appears in Schedule C.1.

17. As shown in Schedule B.1, original notes with an aggregate principal amount of \$5.004 billion were tendered by holders and accepted by Harrah's for exchange into new notes. The aggregate fair market value of these tendered notes was \$609.6 million. The new notes ultimately issued by Harrah's in exchange for the tendered original notes had an aggregate principal amount of \$3.352 billion and an aggregate fair market value of \$956.7 million. The difference in value between the original notes tendered and the new notes received as consideration was \$347.1 million.

18. As shown in Schedule B.2, original notes with an aggregate principal amount of \$522.9 million were tendered to Harrah's BC, Inc. ("HBC," a wholly owned subsidiary of HEI) by QIBs and accredited investors for cash consideration of \$185 per \$1,000 principal amount. The aggregate fair market value of the notes tendered in the HBC cash tender offer was \$30.7 million, and the aggregate cash consideration for these notes was \$96.7 million. The difference in value between the original notes tendered and the cash received as consideration was \$66.0 million.

⁴ I was, however, given access to a draft of an Offer to Purchase and Consent Solicitation Statement, dated February 27, 2009. I relied on this and various public sources detailed in the footnotes to Schedule A.1 to arrive at my assumptions regarding the terms of exchange. Should any of these assumptions be in error, I am prepared to correct them upon receipt of the appropriate documents.

19. As shown in Schedule B.3, original notes with an aggregate principal amount of \$24.0 million were tendered to Harrah's by retail holders who were not QIBs or accredited investors for cash consideration of either \$370 per \$1,000 principal amount for issues maturing in 2010 and 2011, or \$185 per \$1,000 principal amount for issues maturing thereafter. The aggregate fair market value of the notes tendered in the retail tender offer was \$2.0 million, and the aggregate cash consideration for these notes was \$4.8 million. The difference in value between the original notes tendered and the cash received as consideration was \$2.8 million.

20. Based on the foregoing, it is my opinion that the Second Exchange Offer created material value for the plaintiff class, and that such value is estimated as follows:

Figure 5: Summary of Value Created by the Second Exchange Offer
(\$ in millions)

	Value Tendered	Value Received	Increase in Value
Note Exchange	\$ 609.613	\$ 956.739	\$ 347.126
HBC Cash Tender	30.734	96.744	66.010
Retail Cash Tender	2.021	4.790	2.769
Total	\$ 642.368	\$ 1,058.273	\$ 415.905

21. As discussed above, the newly issued notes ultimately received by the plaintiff class rose steadily and significantly in value during the days and weeks following the announcement of the Second Exchange Offer.

22. I am aware of no publicly available information that allows me to distinguish participation by QIBs from participation by accredited investors in either the note exchange or the HBC cash tender.

23. My work in this matter is ongoing. I reserve the right to modify my analysis and conclusions based on the receipt of additional information.

I declare under penalty of perjury under the laws of the United States of America, 28 U.S.C.
§ 1746, that the foregoing is true and correct.

Executed this 23rd day of July, 2009, at Irving, Texas.



M. Travis Keath

SCHEDULE A.1
EXCHANGE OFFER 2
RESULTS OF EXCHANGE OFFER 2

In \$ Thousands

Old Notes

VALUE Inc. Reference	Coupon	Maturity	Cusip	Acceptance Priority	Principal Tendered for Exchange ⁽¹⁾	Principal Tendered: HBC Tender Offers ⁽¹⁾	Principal Tendered: Retail Cash Offers ⁽¹⁾	Total Principal Tendered	Total Principal Accepted ⁽¹⁾	% Accepted	Principal Amount Outstanding ⁽¹⁾	Remaining Principal Outstanding ⁽¹⁾	% of Principal	10.0% 2nd Lien Notes Exchanged	Exchange Ratio ⁽²⁾	Amount Exchanged
E	5.500%	2010	413627AQ3	1	\$ 85,576	\$ -	\$ 1,225	\$ 86,801	\$ 86,801	100.0%	\$ 346,000	\$ 259,199	25.1%	2015 Notes	1.00	\$ 85,576
B	7.875%	2010	700690AQ3	1	44,003	-	188	44,191	44,191	100.0%	299,000	254,809	14.8%	2015 Notes	1.00	44,003
C	8.000%	2011	413627AH3	1	1,354	-	87	1,441	1,441	100.0%	52,000	50,559	2.8%	2015 Notes	0.80	1,083
A	8.125%	2011	700690AL4 700690AK6	1	46,642	-	444	47,086	47,086	100.0%	234,000	186,914	20.1%	2015 Notes	0.80	37,314
D	5.375%	2013	413627AN0	1	65,689		544	66,233	66,233	100.0%	279,000	212,767	23.7%	2015 Notes	0.50	32,845
F	5.625%	2015	413627AU4	2	57,317	201,922	14,890	274,129	274,129	100.0%	864,000	791,793	31.7%	2018 Notes	0.50	28,659
H	6.500%	2016	413627AX8	2	74,496	189,118	3,559	267,173	267,173	100.0%	651,000	572,945	41.0%	2018 Notes	0.50	37,248
G	5.750%	2017	413627AW0	2	68,884	131,902	2,163	202,949	202,949	100.0%	610,000	538,953	33.3%	2018 Notes	0.50	34,442
M	10.750%	2018	413627BF6	3	1,104,203	-	-	1,104,203	1,104,203	100.0%	1,113,000	8,797	99.2%	2018 Notes	0.57	632,156
N	10.750%	2016	413627AY6 413627BE9 U24658AJ2	4	3,455,721	-	850	3,456,571	3,456,571	100.0%	4,200,000	743,429	82.3%	2018 Notes	0.70	2,419,005
Total Notes					\$ 5,003,885	\$ 522,942	\$ 23,950	\$ 5,550,777	\$ 5,550,777		\$ 8,648,000	\$ 3,620,165				\$ 3,352,330

Bridge Loans

VALUE Inc. Reference	Coupon	Maturity		Tendered for Exchange ⁽¹⁾	Principal Tendered: HBC Tender Offers ⁽¹⁾	Principal Tendered: Retail Cash Offers ⁽¹⁾	Total Principal Tendered	Total Principal Accepted ⁽¹⁾	% Accepted	Principal Amount Outstanding ⁽¹⁾	Remaining Principal Outstanding ⁽¹⁾	% of Principal	10.0% 2nd Lien Notes Exchanged	Exchange Ratio ⁽²⁾	Amount Exchanged
Bridge M	10.750%	2018		\$ 99,673	\$ -	\$ -	\$ 99,673	\$ 99,673	100.0%	\$ 99,673	\$ -	100.0%		0.67	66,975
Bridge N	10.750%	2016		342,582	-	-	342,582	342,582	100.0%	342,582	-	100.0%		0.67	230,197
Total Bridge Loans				\$ 442,256	\$ -	\$ -	\$ 442,256	\$ 442,256		\$ 442,256	\$ -				\$ 297,172

Combined Total				\$ 5,446,141	\$ 522,942	\$ 23,950	\$ 5,993,033	\$ 5,993,033		\$ 9,090,256	\$ 3,620,165				\$ 3,649,502
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References

(1) Harrah's Entertainment, Inc. press release dated 4/9/2009

(2) Exchange Ratio Sources:

Draft of Confidential Offering Memorandum and Consent Solicitations dated 2/27/2009 (used for maturities ending 2010-2011 and Priority 3 and 4 Notes)

Harrah's Entertainment, Inc. Form 8-K Filed 3/26/2009; Item 8.01 (used for maturities ending 2013 and Priority 2 Notes)

Harrah's Entertainment, Inc. Form 8-K Filed 4/9/2009; Item 8.01 (implied .67 ratio used for Bridge Loans based on \$297 million reference)

Harrah's Entertainment, Inc. press releases dated March 17, 19, 26, and April 9, 2009

SCHEDULE B.1
EXCHANGE OFFER 2
NOTES EXCHANGED

In \$ Thousands

Old Notes

VALUE Inc. Reference	Coupon	Maturity	Cusip	Acceptance Priority	Principal Accepted for Exchange ⁽¹⁾	Fair Market Value 3/4/2009 ⁽²⁾	Fair Market Value of Notes Tendered 3/4/2009	10.0% 2nd Lien Notes Exchanged	Principal Value of New 2nd Lien Notes ⁽³⁾	Fair Market Value 3/5/2009 ⁽²⁾	Fair Market Value of 2nd Lien Notes 3/5/2009	Change in Value
E	5.500%	2010	413627AQ3	1	\$ 85,576	0.3117	\$ 26,674	2015 Notes	\$ 85,576	0.2838	\$ 24,282	\$ (2,392)
B	7.875%	2010	700690AQ3	1	44,003	0.3200	14,081	2015 Notes	44,003	0.2838	12,486	(1,595)
C	8.000%	2011	413627AH3	1	1,354	0.2169	294	2015 Notes	1,083	0.2838	307	14
A	8.125%	2011	700690AL4	1	46,642	0.1784	8,321	2015 Notes	37,314	0.2838	10,588	2,267
			700690AK6									
D	5.375%	2013	413627AN0	1	65,689	0.0905	5,945	2015 Notes	32,845	0.2838	9,320	3,375
F	5.625%	2015	413627AU4	2	57,317	0.0679	3,890	2018 Notes	28,659	0.2855	8,182	4,292
H	6.500%	2016	413627AX8	2	74,496	0.0452	3,367	2018 Notes	37,248	0.2855	10,634	7,267
G	5.750%	2017	413627AW0	2	68,884	0.0643	4,429	2018 Notes	34,442	0.2855	9,833	5,404
M	10.750%	2018	413627BF6	3	1,104,203	0.0435	47,995	2018 Notes	632,156	0.2855	180,481	132,486
N	10.750%	2016	413627AY6	4	3,455,721	0.1431	494,617	2018 Notes	2,419,005	0.2855	690,626	196,008
			413627BE9									
			U24658AJ2									
Total					\$ 5,003,885		\$ 609,613		\$ 3,352,330		\$ 956,739	\$ 347,126

References

(1) Harrah's Entertainment, Inc. press release dated 4/9/2009

(2) Sources: Bloomberg LP and VALUE Inc. (prices presented per \$1.00 of face value)

(3) See Schedule A.1, "Amount Exchanged"

SCHEDULE B.2
EXCHANGE OFFER 2
HBC TENDER OFFERS

In \$ Thousands

Old Notes

VALUE Inc. Reference	Coupon	Maturity	Cusip	Acceptance Priority	Principal Accepted: HBC Tender Offers ⁽¹⁾	Fair Market Value 3/4/2009 ⁽²⁾	Fair Market Value of Notes Tendered 3/4/2009	Exchanged For	Exchange Ratio ⁽³⁾	Cash Received in Exchange Offer	Change in Value
E	5.500%	2010	413627AQ3	1	\$ -	0.3117	\$ -			-	\$ -
B	7.875%	2010	700690AQ3	1	-	0.3200	-			-	-
C	8.000%	2011	413627AH3	1	-	0.2169	-			-	-
A	8.125%	2011	700690AL4	1	-	0.1784	-			-	-
			700690AK6								
D	5.375%	2013	413627AN0	1	-	0.0905	-			-	-
F	5.625%	2015	413627AU4	2	201,922	0.0679	13,704	Cash	0.1850	37,356	23,651
H	6.500%	2016	413627AX8	2	189,118	0.0452	8,548	Cash	0.1850	34,987	26,439
G	5.750%	2017	413627AW0	2	131,902	0.0643	8,481	Cash	0.1850	24,402	15,921
M	10.750%	2018	413627BF6	3	-	0.0435	-			-	-
N	10.750%	2016	413627AY6	4	-	0.1431	-			-	-
			413627BE9								
			U24658AJ2								
Total					\$ 522,942		\$ 30,734			\$ 96,744	\$ 66,010

References

(1) Harrah's Entertainment, Inc. press release dated 4/9/2009

(2) Sources: Bloomberg LP and VALUE Inc. (prices presented per \$1.00 of face value)

(3) Exchange Ratio Sources:

Harrah's Entertainment, Inc. Form 8-K Filed 3/26/2009; Item 8.01

Harrah's Entertainment, Inc. press releases dated March 26, and April 9, 2009

SCHEDULE B.3
EXCHANGE OFFER 2
RETAIL CASH TENDER OFFERS

In \$ Thousands

Old Notes

VALUE Inc. Reference	Coupon	Maturity	Cusip	Acceptance Priority	Principal Accepted for Retail Cash Tender Offers ⁽¹⁾	Fair Market Value 3/4/2009 ⁽²⁾	Fair Market Value of Notes Tendered 3/4/2009	Exchanged For	Exchange Ratio ⁽³⁾	Cash Received in Exchange Offer	Change in Value
E	5.500%	2010	413627AQ3	1	\$ 1,225	0.3117	\$ 382	Cash	0.3700	\$ 453	\$ 71
B	7.875%	2010	700690AQ3	1	188	0.3200	60	Cash	0.3700	70	9
C	8.000%	2011	413627AH3	1	87	0.2169	19	Cash	0.3700	32	13
A	8.125%	2011	700690AL4	1	444	0.1784	79	Cash	0.3700	164	85
			700690AK6								
D	5.375%	2013	413627AN0	1	544	0.0905	49	Cash	0.1850	101	51
F	5.625%	2015	413627AU4	2	14,890	0.0679	1,011	Cash	0.1850	2,755	1,744
H	6.500%	2016	413627AX8	2	3,559	0.0452	161	Cash	0.1850	658	498
G	5.750%	2017	413627AW0	2	2,163	0.0643	139	Cash	0.1850	400	261
M	10.750%	2018	413627BF6	3	-	0.0435	-			-	-
N	10.750%	2016	413627AY6	4	850	0.1431	122	Cash	0.1850	157	36
			413627BE9								
			U24658AJ2								
Total					\$ 23,950		\$ 2,021			\$ 4,790	\$ 2,769

References

(1) Harrah's Entertainment, Inc. press release dated 4/9/2009

(2) Sources: Bloomberg LP and VALUE Inc. (prices presented per \$1.00 of face value)

(3) Exchange Ratio Sources:

Old Notes with maturities from 2010-2011 exchanged at ratio of \$0.37 per \$1.00 based on Bloomberg LP Article dated March 13, 2009: *Harrah's Owners Said to Hedge Against Bankruptcy*; Jonathan Keehner, Caroline Salas, Jason Kelly

Harrah's Entertainment, Inc. Form 8-K Filed 3/26/2009; Item 8.01 indicates that 5.375% 2013 Notes and Priority 2 Notes exchanged at ratio of \$0.185 per \$1.00

Harrah's Entertainment, Inc. press releases dated March 26, and April 9, 2009

SCHEDULE C.1
EXCHANGE OFFER 2
FAIR MARKET VALUE CALCULATIONS

VALUE Inc. Reference	Coupon	Maturity	Cusip	Acceptance Priority	Fair Market Value 3/4/2009 (Per \$1 Face Value)	Fair Market Value 3/5/2009 (Per \$1 Face Value)
Old Notes						
E	5.500%	2010	413627AQ3	1	0.3117 (2)	0.3177 (7)
B	7.875%	2010	700690AQ3	1	0.3200 (3)	0.3200 (9)
C	8.000%	2011	413627AH3	1	0.2169 (2)	0.2452 (6)
A	8.125%	2011	700690AL4	1	0.1784 (2)	0.2300 (1)
			700690AK6			
D	5.375%	2013	413627AN0	1	0.0905 (7)	0.1110 (7)
F	5.625%	2015	413627AU4	2	0.0679 (3)	0.0790 (7)
H	6.500%	2016	413627AX8	2	0.0452 (1)	0.0833 (7)
G	5.750%	2017	413627AW0	2	0.0643 (4)	0.0777 (7)
M	10.750%	2018	413627BF6	3	0.0435 (5)	0.0685 (5)
N	10.750%	2016	413627BE9	4	0.1431 (1)	0.1449 (7)
			413627AY6			
New 2nd Lien Notes						
O	10.000%	2015	413627BA7		0.2825 (1)	0.2838 (1)
P	10.000%	2018	413627BC3		0.2917 (1)	0.2855 (8)

References

- (1) Bloomberg LP closing price
- (2) Issue did not trade on 3/4/2009: Based on previous 20-trading day average relationship to 5.375% 2013 Issue
- (3) Issue did not trade on 3/4/2009: Price selected was closing on 3/3/2009
- (4) Issue did not trade on 3/4/2009: Based on previous 20-trading day average relationship to 6.5% 2016 Issue, 10.75% 2016 Issue, and 10.0% 2018 Issue
- (5) Issue did not trade on 3/4 or 3/5/2009: Based on average relationship to 6.5% 2016 Issue from 11/17/2008 through 12/31/2008
- (6) Issue did not trade on 3/5/2009: Based on previous 20-trading day average relationship to 8.125% 2011 Issue, 5.375% 2013 Issue, and 5.5% 2010 Issue
- (7) Daily volume weighted-average price ("VWAP")
- (8) Issue did not trade on 3/5/2009: Based on previous 20-trading day average relationship to 10.0% 2015 Issue
- (9) Issue did not trade on 3/5/2009: Based on 3/6/2009 closing price